

2009 CDBG - D Application Policy

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Application Process

Overview

The purpose of this application is to provide subsidies in the form of **loans** for the acquisition, development, and rehabilitation of housing that is affordable to low and moderate-income people. Through this program, IHCD A seeks to either improve the quality of existing housing stock in Indiana or increase the supply of quality affordable housing for Hoosiers.

This program is designed to give preference to applicants that:

1. Demonstrate they are meeting the needs of their specific community.
2. Attempt to reach low and very low-income levels of area median income.
3. Are ready to proceed with the activity upon receipt of the award.
4. Revitalize existing neighborhoods.
5. Propose projects that are energy-efficient and are of the highest quality attainable within a reasonable cost structure.
6. Encourage the use of Minority Business Enterprise and/or Women-Owned Business Enterprise.
7. **Are developing units within a county designated as eligible for Disaster Recovery Funds**

In addition, IHCD A encourages applicants to use Indiana contractors, employees, and products when planning their housing activities.

Program Year Important Dates

Application Round Opens

August 17, 2009

Application Round Closes

TBD

All applications will be reviewed and recommended for approval to the IHCD A Board of Directors.

Dependent upon the status of the application and the timing of the review, final funding decisions will be made at monthly board meetings. Applicants will be notified of the status of their proposal no later than the following dates:

September 28, 2009

October 23, 2009

November 20, 2009

December 18, 2009

January 29, 2010

February 26, 2010

March 26, 2010

April 23, 2010

May 28, 2010

June 24, 2010

July 22, 2010

August 26, 2010

Submission Process

Only one application per housing activity per organization is allowed. **Faxed or e-mailed applications will not be accepted.**

The applicant must submit the following:

- Via CD-ROM:
 - One (1) completed electronic copy of the application forms
- Via hard copy:
 - All forms that require original signatures
 - All supporting documents required in the tabs

All applicants must retain a copy of this application package. Applicants that receive funding will be bound by the information contained herein.

Submit application packages to:

Indiana Housing and Community Development Authority

Attn: CDBG-D-DisasterRecovery Program

30 South Meridian Street, Suite 1000

Indianapolis, IN 46204

IHCDA's office is located on the 10th Floor of 30 South Meridian Street. A map showing IHCDA's location, along with directions to the building is available in the Appendices.

Technical Assistance Meeting

If the proposed housing activity is feasible and CDBG-D may be a possible source of financing, the applicant may schedule a technical assistance meeting with their IHCDA Community Development Representative to discuss both the proposed development and IHCDA's application process. A technical assistance meeting can be face-to-face or via an IHCDA webinar.

There will likely be many more applications submitted than IHCDA can fund. For this reason, applicants are urged to contact IHCDA early in the planning process to obtain guidance and technical assistance.

Application Review

Each application will be reviewed in a three-step process:

Step One - Completeness All required exhibits and attachments are included and the application was received on or before the due date. IHCD staff may contact an applicant after an application deadline to request clarification of information contained in a pending application. However, if the Authority requests additional information from the applicant, all documents are due on or before the date provided by IHCD staff.

Step Two - Threshold The application meets all of the required threshold criteria.

Step Three – Review/Underwriting

Applications that pass the completeness and threshold reviews are then reviewed by IHCD staff. Applications failing to meet Steps 1 and 2 will not be reviewed.

Award Manual

The Award Manual outlines the requirements for administering IHCD's CDBG award.

Award Training

Following the award date, Community Development Representatives will be available to conduct a one-on-one CDBG-D award training, upon request. This training will cover various aspects of the regulatory requirements for administering funds, record keeping, and the forms and reports that must be submitted to IHCD.

Eligible Applicants

Eligible applicants include cities, towns, counties, not-for-profit 501© 3 or 501© 4 organizations, and for-profit entities that are located within Indiana.

The following counties are not eligible to apply for CDBG-D funds:

Blackford	Clinton	Delaware	Howard	LaGrange	Miami
Steuben	Tipton	Warren	Wells		

Organizations that are religious or faith-based are eligible to participate in the CDBG-D programs on the same basis as any other organization. Organizations that are directly funded under the CDBG-D program may not engage in inherently religious activities, such as worship, religious instruction, or proselytization, as part of the assistance funded under this part. If an organization conducts such activities, the activities must be offered separately, in time or location, from the assistance funded under this part, and participation must be voluntary for the beneficiaries of the assistance provided.

A religious organization that participates in the CDBG-D program will retain its independence from Federal, State, and local governments, and may continue to carry out its mission, including the definition, practice, and expression of its religious beliefs, provided that it does not use direct CDBG-D funds to support any inherently religious activities, such as worship, religious instruction, or proselytization. Among other things, faith-based organizations may use space in their facilities, without removing religious art, icons, scriptures, or other religious symbols. In addition, a CDBG-D-funded religious organization retains its authority over its internal governance, and it may retain religious terms in its organization's name, select its board members on a religious basis, and include religious references in its organization's mission statements and other governing documents. An organization that participates in the CDBG-D program shall not, in providing program assistance, discriminate against a program beneficiary or prospective program beneficiary on the basis of religion or religious belief.

CDBG-D funds may not be used for the acquisition, construction, or rehabilitation of structures to the extent that those structures are used for inherently religious activities. CDBG-D funds may be used for the acquisition, construction, or rehabilitation of structures only to the extent that those structures are used for conducting eligible activities. Where a structure is used for both eligible and inherently religious activities, CDBG-D funds may not exceed the cost of those portions of the acquisition, construction, or rehabilitation that are attributable to eligible activities in accordance with the cost accounting requirements applicable to

CDBG-D funds in this part. Sanctuaries, chapels, or other rooms that a CDBG-D-funded religious congregation uses as its principal place of worship, however, are ineligible for CDBG-D-funded improvements. Disposition of real property after the term of the award, or any change in use of the property during the term of the award, is subject to government-wide regulations governing real property disposition (*see* 24 CFR parts 84 and 85).

Threshold Criteria

To be considered for funding, an applicant must meet **all** of the criteria listed below. Applications that fail to meet **any** of these criteria will **not** be considered. All required supporting documentation must be included in the application.

1. On or before the application deadline, the applicant must provide all documentation as instructed within the CDBG-D Application. If the Authority requests additional information from the applicant, all documents are due on or before the date provided by IHCD staff.
2. The applicant must have resolved all previous monitoring requirements.
3. All open CDBG and HOME awards provided to the award recipient, sub-recipient and/or administrator must have made sufficient progress towards setup and completion.
4. IHCD reserves the right to disqualify from funding any application where the applicant, sub-recipient, administrator, preparer, or any of their related parties has a history of disregarding the policies, procedures, or staff directives associated with administering any IHCD program or programs of other State, Federal, or affordable housing entities, such as, but not limited to the Indiana Office of Rural Affairs, U.S. Department of Housing and Urban Development (HUD), U.S. Department of Agriculture - Rural Development, or Federal Home Loan Bank.

Activity Guidelines and Regulatory Requirements

Eligible Housing Activities

This program is intended to have a long-term impact on the availability and quality of the affordable housing stock in Indiana.

Any major household system repaired or replaced as part of the rehabilitation process must meet the stricter of the Indiana State Building Code or local building codes. Funds may be used to remedy conditions that, while not posing an immediate threat to health and safety, represent an ongoing threat to the structural integrity of a building and may eventually result in an emergency situation. Rehabilitation activities may be completed to incorporate accessibility design.

- For all activities, if there is a long-term lease agreement on the property, a 99-year lease must be recorded in the county recorder's office of the county in which the property is located prior to award document preparation. See IHCD's Award Manual for additional information.

Eligible housing activities **DO NOT** include:

- Creation of secondary housing attached to a primary unit
- Nursing homes, convalescent homes, hospitals, residential treatment facilities, correctional facilities, or student dormitories
- Rehabilitation of mobile homes
- Rehabilitation located within the boundaries of a 100-year floodplain

Loan Term

The applicant will propose the term and interest rate of the loan.

Form of Assistance and Guidelines

- IHCD will provide CDBG-D funds to an award recipient in the form of a loan.
- **Resale Guidelines:** The resale restriction will require the seller to sell the property only to a low-income family that will use the property as their principal place of residence or to an eligible entity that will agree to use the property for the purpose outlined in the executed contracts for the remainder of the affordability period. The term "low-income family" shall mean a family whose

gross annual income does not exceed 80% of the median family income for the geographic area, published annually by HUD. With the resale option, the owner selling the property will be allowed to receive a fair return on investment, which will include the owner's investment and any capital improvements made to the property.

- **Recapture Guidelines:** The maximum amount of CDBG-D funds subject to recapture is based on the amount of CDBG-D assistance that enabled the units to be rehabilitated/developed.
- If there will be proceeds from an award, the award recipient can either (1) repay IHCD the amount of recaptured funds or (2) receive approval from IHCD regarding the reuse of these funds**.

***The entities receiving a loan from the award recipient may not re-loan the funds to anyone else.*

- The award recipient will be required to execute a lien agreement/restrictive covenant, regardless of either Resale or Recapture, and other documents as necessary for the assisted property.
- All legal documents must be recorded at the county recorders office. These documents will be reviewed when monitored by IHCD staff.

Affordability Requirements

- Permanent Rental

Amount of CDBG-D subsidy per unit or bed:	Affordability Period
Under \$15,000	5 years
\$15,000 - \$40,000	10 years
Over \$40,000	15 years
New Construction (regardless of amount)	20 years

- If HOME and CDBG-D (including standard IHCD CDBG funds) are used in a development during the same program year, the combined amounts will determine the affordability period.

Leveraging Funds Requirement

- IHCD does not require leverage but it is encouraged.
- If the applicant is proposing to utilize banked leverage for this activity: and
 - It is the applicant's own banked leverage, the leverage liability on the previous award for which the match was generated must already be met and documented with IHCD for the

leverage to be eligible as of the application due date. Leverage can only be banked on awards beginning with the 2002-2003 application package or later.

OR

- If it is another recipient's match/leverage, the applicant must provide an executed agreement with the application verifying that the recipient is willing to donate the match/leverage. A boilerplate agreement is found in the Appendices. Only banked leverage from awards made beginning with the 2002-2003 application package or later that have fully met their leverage liability is eligible to donate to another applicant. The award must be closed before the agreement to donate leverage is executed.
- Leverage cannot be sold or purchased and is provided purely at the discretion of the recipient that generated it.
- Banked leverage generated on a CDBG award can be used on a CDBG-D award
- Banked match generated from a HOME award can be used as leverage on a CDBG-D award.
- Banked leverage generated on a CDBG-D award cannot be used as match on a future HOME award.

Housing Activity Provisions

- All applicants are required to complete the environmental review record (ERR) and submit it to the appropriate Community Development Representative prior to or with application submission. Refer to the [Environmental and Historic Review User Guides](#) for further explanation of these requirements.
 - Local unit of government applicants must publish a notice requesting a release of funds no later than 7 days following the application due date and submit the publisher's affidavit to IHCDA within 14 days of application due date.
- All applicants must also submit documentation to the IHCDA DNR-SHPO Housing Liaison requesting the initiation of the historic review process on or before the application deadline (single-site projects ONLY). On average, a historic review may take up to 90 days or more to complete. If the development involves an historic structure, approval may take much longer or rehabilitation may be prohibited entirely. Submitted documentation must be deemed sufficient and complete to meet this requirement.

Required documentation includes:

- A description of the Federal involvement – use of CDBG-D funds and any other federal funds;
- A description of the undertaking;
- Description of steps to identify historic properties and information pursuant to Sec. 800.4(b);
- Determination of affect (Sec. 800.5);
- Map with area of potential effect (APE) and development site clearly identified;

- Clear photographs of all areas that will be affected by the project.
- Applicants may not develop any property to be assisted with CDBG-D funds until the environmental and historic review process has been completed.
- Local unit of government applicants must demonstrate that it will complete an action to affirmatively further fair housing during the time frame of an award.
- Recipients will be required to provide proof of adequate builder's risk insurance, property insurance, and/or contractor liability insurance during construction and property insurance following construction for the assisted property throughout the affordability period of the award. The applicant must hold one public hearing about the undertaking prior to application submission. Specific requirements must be completed for this meeting, as identified in the Appendices. Additionally, if funded, a second public hearing will be required upon project completion and prior to the submission of the award closeout documents.

Regulatory Requirements

- All regulatory CDBG requirements listed in [24 CFR Part 570](#) must be met. The only exceptions are the items listed as published in the CDBG-D Application Policies document.
- **With the exception of approved Rental Housing Tax Credit (RHTC) projects, recipients of a CDBG-D award must follow competitive procurement procedures for all costs intended to be reimbursed by the award. IRS Section 42 RHTC projects may use non-competitive procurement procedures.**
- Recipients of a CDBG-D award are subject to the requirements of the Uniform Relocation Act. See the Appendices for guidance on the regulatory requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA), as amended, and Federal regulations at [49 CFR Part 24](#) and the requirements of [Section 104\(d\) of Title I of the Housing and Community Development Act of 1974, as amended.](#)
- The housing must meet the accessibility requirements of [24 CFR Part 8](#), which implements Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and covers multifamily dwellings, as defined at [24 CFR 100.201](#). It must also meet the design and construction requirements at [24 CFR 100.205](#), which implement the Federal Fair Housing Act Amendments of 1988 (42 U.S.C. 3601-3619). See IHCD's Award Manual for guidance on the regulatory requirements of Section 504 Accessibility Standards.
- Recipients of a CDBG-D award are subject to the HUD requirements of dealing with lead-based paint hazards required by [24 CFR Part 35](#). If a risk assessment is required, then all lead-based paint issues must be addressed within the area of rehabilitation. See IHCD's Award Manual for guidance on the regulatory requirements of lead-based paint.
- Recipients of a CDBG-D award are required to perform an environmental and historic review on all assisted properties. For the regulatory requirements of environmental and historic review found in [24](#)

[CFR Part 58](#), see the Environmental Review and Historic Review User Guides or contact your IHCD Community Development Representative for further guidance.

Subsidy Limitations

- Combined CDBG-D funds budgeted for program delivery, administration, and environmental review cannot exceed 20% of the CDBG-D award.

Eligible Activity Costs

All eligible costs are listed within the exhibits of the CDBG-D application forms.

Retainage Policy

IHCDA will hold the final \$5,000 of an award until the completion reports, leverage documentation, and closeout documentation is received and approved.

Rent Restrictions

CDBG-D-assisted rental units will be rent restricted throughout the affordability period to ensure that the units are affordable to low-income households. Please refer to the CDBG-D rent limits, which may be found on IHCDA's website.

Published rent limits include the cost of any tenant-paid utilities. You must subtract from the published rent limit an IHCDA or HUD approved utility allowance for all utilities that the tenant will be responsible for. For example, the rent limit in a given county is \$300. The utility allowance for gas heat is \$28, for other electric is \$20, and for water is \$13. For a unit where the tenant will pay for gas heat, other electric, and water, the maximum allowable rent would be \$239 ($\$300 - \$28 - \$20 - \$13 = \239).

- If an SRO-unit has neither food preparation nor sanitary facilities, or only one, the rent may not exceed 75 percent of the FMR for a zero-bedroom unit. For example, the Fair Market Rent for a 0-bedroom unit in a given county is \$300. The 40% rent limit for an SRO unit in that county that only has a bathroom and not a kitchen would be \$225 ($\$300 \times 75\% = \225).
- If the applicant proposes to receive all or a portion of the rent payment via a tenant-based voucher (rental subsidy), the total tenant rent (see Definitions in the Appendices) cannot exceed the published rent limits for the applicable income level. For example, a tenant residing in a unit set-aside for households at or below 40% of the area median income has a voucher that pays \$100 of his/her rent, and the published utility allowance for tenant paid utilities for the unit is \$50. If the published 40% Rent Limit is \$300, the tenant paid portion of rent cannot exceed \$150 ($\$300 \text{ Rent Limit} - \$100 \text{ Section 8 Voucher} - \$50 \text{ Utility Allowance} = \$150 \text{ Maximum Tenant Paid Portion}$).

- If the development receives federal or state project-based rent subsidy and tenants at or below 50% AMI pay no more than 30% of his/her adjusted income for rent, the maximum rent may be the rent allowable under the project-based subsidy program.
- Rent limits do not include food or the costs of supportive services.
- All tenants who occupy CDBG-D-assisted rental housing units must be income recertified on an annual basis. The HUD Part 5 definition of household income applies